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The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. STEVENS. Mr. President, will the Senator yield to me for the purpose of making an inquiry? The Senator from New Mexico has the time. Will he yield me some time?

Mr. DOMENICI. All the time the Senator from Alaska desires.

Mr. STEVENS. Mr. President, it is my understanding we are unable to get an amendment called up now because of the briefing that is going on to the general membership of the Senate. I think we have to recognize that. It is related to the world situation. It is a very important meeting and Members do not want to leave. Under the circumstances, it would be my intention to ask the Senate, with the agreement of my good friend from West Virginia, to set this bill aside so we can handle routine matters and announce there will be no more votes this evening.

Mr. HOLLINGS. Mr. President, before we set it aside, could we have the understanding on the record that the amendment of the Senator from Ohio (Mr. METZENBAUM) will be called right after convening and the two leaders have their time in the morning? I think that is the understanding, but it ought to be on the record so not only the Senator will understand but the membership will know that the Metzenbaum amendment will be up at 9 o'clock in the morning.

Mr. STEVENS. It is certainly agreeable, and, subject to the agreement of the Senator from West Virginia, it is our intention to limit leader time tomorrow morning to just 1 minute and to ask that morning business and the special orders take place after the controlled time which ends at 4 p.m., tomorrow afternoon.

I think there has been no disagreement of what. May I ask my friend from West Virginia if that is correct?

Mr. ROBERT C. BYRD. That is correct.

Mr. STEVENS. He is in agreement. There is general agreement and that will be the policy.

Mr. President, there will be no further votes this evening. Pending the arrival of the material so we can handle the routine matters here before we close, I suggest the absence of a quorum.

Mr. DOMENICI. Mr. President, will the Senator withhold?

Mr. STEVENS. I withhold.

Mr. DOMENICI. We have no objection to the understanding that the Metzenbaum amendment will be the first one up in the morning. However, I do not want to imply by that that we are waiving any objections we may have to the amendment relative to germaneness and the like.

Mr. HOLLINGS. Right.

Mr. DOMENICI. With that understanding, I have no objection.

Mr. STEVENS. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. STEVENS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

LIMITATION INCREASE IN EXPENDITURES OF COMMITTEE ON GOVERNMENTAL AFFAIRS

Mr. STEVENS. Mr. President, I ask unanimous consent that the Rules Committee be discharged from further consideration of Senate Resolution 431, and that the Senate proceed immediately to its consideration.

The PRESIDING OFFICER. The resolution will be stated by title.

The assistant legislative clerk read as follows:

Resolution (S. Res. 431) increasing the limitation on expenditures by the Committee on Governmental Affairs for the training of professional staff.

The PRESIDING OFFICER. Without objection the committee is discharged, and without objection the Senate will proceed to consider the resolution.

The question is on agreeing to the resolution.

The resolution (S. Res. 431) was agreed to, as follows:

Resolved, That section 13(b)(2) of Senate Resolution 333, Ninety-seventh Congress, agreed to March 11, 1982, is amended by striking out "\$1,500" and inserting in lieu thereof "\$8,500".

Mr. STEVENS. Mr. President, I move to reconsider the vote by which the resolution was agreed to.

Mr. ROBERT C. BYRD. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

FINANCIAL INTEGRITY ACT OF 1981

Mr. STEVENS. Mr. President, I ask unanimous consent that the Chair lay before the Senate calendar No. 438, Senate bill 864.

The PRESIDING OFFICER. The bill will be stated by title.

The assistant legislative clerk read as follows:

A bill (S. 864) to amend the Accounting and Auditing Act of 1950 to require ongoing evaluations and reports on the adequacy of the systems of internal accounting and administrative control of each executive agency.

The PRESIDING OFFICER. Is there objection to the immediate consideration of the bill?

There being no objection, the Senate proceeded to consider the bill which had been reported from the Committee on Governmental Affairs with an amendment to strike out all after the enacting clause, and insert the following:

SHORT TITLE

SECTION 1. This Act may be cited as the "Financial Integrity Act of 1981".

FINDINGS AND POLICY

Sec. 2. (a) The Congress hereby finds that—

(1) fraud, waste, and mismanagement have caused a serious crisis of confidence in Federal Government programs and agencies;

(2) fraud and errors in Federal programs are more likely to occur from a lack of effective systems of internal accounting and administrative control in the Federal agencies;

(3) effective systems of internal accounting and administrative control provide the basic foundation upon which a structure of public accountability must be built;

(4) effective systems of internal accounting and administrative control are necessary to provide assurance that Federal assets and funds are adequately safeguarded as well as to produce reliable financial information for the agency;

(5) systems of internal accounting and administrative control are necessarily dynamic and must be continuously evaluated and where necessary improved; and

(6) reports regarding the adequacy of the systems of internal accounting and administrative control of each Federal agency are necessary to enable the executive branch, the Congress, and the public to evaluate the agency's performance of its public responsibilities and accountability.

(b) It is hereby declared to be the policy of the United States that—

(1) each Federal agency must maintain effective systems of internal accounting and administrative control as an integral part of its management practices;

(2) the systems of internal accounting and administrative control of each Federal agency shall be evaluated on an ongoing basis and when detected, weaknesses must be promptly corrected; and

(3) all levels of management of the Federal agencies must involve themselves in assessing and strengthening the systems of internal accounting and administrative control to minimize fraud, errors, abuse, and waste of Government funds.

DEFINITIONS

Sec. 3. As used in this Act:

(a) The term "President" means the President of the United States.

(b) The term "Comptroller General" means the Comptroller General of the United States.

(c) The term "Director" means the Director of the Office of Management and Budget.

Sec. 4. Section 113 of the Accounting and Auditing Act of 1950, as amended (31 U.S.C. 66a), is amended by adding at the end thereof the following new subsection:

"(d)(1) To ensure that the requirements of subsection (a)(3) of this section are fully complied with, the head of each executive agency shall, on the basis of an evaluation conducted in accordance with guidelines prescribed under paragraph (5) of this subsection, prepare a report describing whether the agency's systems of internal accounting and administrative control are sufficient to provide reasonable assurance of meeting the objectives of such systems as specified in subsection (d)(6) of this section. Such report shall be issued by each agency no later than December 31, 1982, and by December 31 following the end of each fiscal year thereafter.

"(2) The reports shall be signed by the head of each executive agency and addressed to the President. Such reports shall also be made available to Congress and the public.

"(3) The reports shall indicate whether—

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"(A) the agency's systems of internal accounting and administrative control fully comply with the requirements of subsection (d)(6) of this section; or

"(B) such systems do not fully comply with such requirements.

"(4) In the event that the head of an agency prepares a report described in paragraph (3)(B), the head of such agency shall include with such report an identification and description of any material weaknesses in the agency's systems of internal accounting and administrative control and the plans and schedule for correcting any such weaknesses.

"(5) by June 30, 1982, the Director of the Office of Management and Budget, in consultation with the Comptroller General, shall establish guidelines for the evaluation by agencies of their systems of internal accounting and administrative control to determine such systems' compliance with the requirements of subsection (d)(6) of this section. The Director, in consultation with the Comptroller General, may modify the format for the reports required by subsection (d)(1) or the framework and guidelines for conducting the agency evaluations from time to time as deemed necessary.

"(6) Internal accounting and administrative controls shall be established in accordance with standards prescribed by the Comptroller General, and shall provide reasonable assurances that—

"(i) all obligations and costs are in compliance with applicable law;

"(ii) all funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and

"(iii) all revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets."

Mr. STEVENS. Mr. President, I move that the Senate disagree with the committee amendment.

The PRESIDING OFFICER. The question is on agreeing to the motion. The motion was agreed to.

UP AMENDMENT NO. 1179

(Purpose: Amendment in the nature of a substitute to the Federal Managers' Financial Integrity Act of 1982)

Mr. STEVENS. Mr. President, I send an amendment to the desk on behalf of the chairman of the committee, the distinguished Senator from Delaware (Mr. ROTH), and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Alaska (Mr. STEVENS), on behalf of Mr. ROTH, proposes an unprinted amendment numbered 1179.

Mr. STEVENS. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. With out objection, it is so ordered.

The amendment is as follows:

Strike all after the enacting clause and insert in lieu thereof the following:

SECTION 1. This Act may be cited as the "Federal Managers' Financial Integrity Act of 1982".

SEC. 2. Section 113(b) of the Accounting and Auditing Act of 1950 (31 U.S.C. 66a) is amended by adding at the end thereof the following new subsection:

"(d)(1)(A) To ensure compliance with the requirements of subsection (a)(3) of this section, internal accounting and administrative controls of each executive agency shall be established in accordance with standards prescribed by the Comptroller General, and shall provide reasonable assurances that—

"(i) obligations and costs are in compliance with applicable law;

"(ii) funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and

"(iii) revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets.

"(B) The standards prescribed by the Comptroller General under this paragraph shall include standards to ensure the prompt resolution of all audit findings.

"(2) By December 31, 1982, the Director of the Office of Management and Budget, in consultation with the Comptroller General, shall establish guidelines for the evaluation by agencies of their systems of internal accounting and administrative control to determine such systems' compliance with the requirements of paragraph (1) of this subsection. The Director, in consultation with the Comptroller General, may modify such guidelines from time to time as deemed necessary.

"(3) By December 31, 1983, and by December 31 of each succeeding year, the head of each executive agency shall, on the basis of an evaluation conducted in accordance with guidelines prescribed under paragraph (2) of this subsection, prepare a statement—

"(A) that the agency's systems of internal accounting and administrative control fully comply with the requirements of paragraph (1); or

"(B) that such systems do not fully comply with such requirements.

"(4) In the event that the head of an agency prepares a statement described in paragraph (3)(B), the head of such agency shall include with such statement a report in which any material weaknesses in the agency's systems of internal accounting and administrative control are identified and the plans and schedule for correcting any such weakness are described.

"(5) The statements and reports required by this subsection shall be signed by the head of each executive agency and transmitted to the President and the Congress. Such statements and reports shall also be made available to the public, except that, in the case of any such statement or report containing information which is—

"(A) specifically prohibited from disclosure by any provision of law; or

"(B) specifically required by Executive order to be kept secret in the interest of national defense or the conduct of foreign affairs,

such information shall be deleted prior to the report or statement being made available to the public."

SEC. 3. Section 201 of the Budget and Accounting Act, 1921 (31 U.S.C. 11), is amended by adding at the end thereof the following new subsection:

"(k)(1) The President shall include in the supporting detail accompanying each Budget submitted on or after January 1, 1983, a separate statement, with respect to each department and establishment, of the amounts of appropriations requested by the President for the Office of Inspector General, if any, of each such establishment or department.

"(2) At the request of a Committee of the Congress, additional information concerning

the amount of appropriations originally requested by any office of Inspector General, shall be submitted to such Committee."

SEC. 4. Section 113(b) of the Accounting and Auditing Act of 1950 (31 U.S.C. 66a(b)), is amended by adding at the end thereof the following new sentence: "Each annual statement prepared pursuant to subsection (d) of this section shall include a separate report on whether the agency's accounting system conforms to the principles, standards, and related requirements prescribed by the Comptroller General under section 112 of this Act."

Mr. ROTH. Mr. President, I am pleased that the Senate today is considering S. 864, the Financial Managers' Integrity Act of 1982. We have been working with our House counterparts to develop an acceptable compromise version of this bill and I believe the amendment we have developed will go far toward improving agency internal controls systems. I commend Senator EAGLESON, the distinguished ranking member of the Governmental Affairs Committee, for his initiative in developing this legislation.

I believe this legislation, if implemented effectively, can help to improve the management of Federal programs and strengthen agency accounting systems. The bill has as its primary objective the improvement of internal agency control systems to prevent fraud, abuse, and waste in Government. The underlying premise of the bill is that inefficient or wasteful spending should be, to the greatest extent possible, prevented before it is allowed to happen. Greater efforts must be made to reduce to a minimum the opportunities for fraudulent activity and the ineffective financial procedures which exist in many Federal agencies. A little more care in designing agency administrative mechanisms can yield a great deal more savings down the road.

I view improvements in the efficiency of Government as a vital corollary to spending restraint. Simply stated, the Government must do more with what it has, and the elimination of fraud, abuse, and waste will make that possible. The provisions contained in S. 864 are designed to make Government managers accountable for the efficient and effective operations of programs under their control. I believe the public has become cynical about the effectiveness of the Federal Government, in great measure, because no one seems to be responsible for anything in Government today. When things go wrong in Government, no one seems to know why. When they go right, we know exactly whom to thank.

The Financial Integrity Act is designed to insure that whether things to right or wrong, someone is clearly responsible for insuring that action will be taken to correct problems and insure continued improvements.

I think the problem of inadequate internal controls is very serious. Fraud and inefficiencies in Government programs remain undetected due to weak,

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inadequate, or nonexistent internal control mechanisms. Many cases of fraud that do occur might have been prevented had effective internal control mechanisms been in place. Last May, our committee held hearings on a General Accounting Office report which revealed over 77,000 cases of fraud and other illegal activities in 21 Federal agencies over a 2½-year period. The results of that report document what has been suspected for years: Crime pays in Government. One of the major reasons such fraud occurs is the fact, as Elmer Staats, the former Comptroller General, pointed out, that top level management has devoted too much time to getting the dollars out and too little to making sure we know how well those dollars are spent.

Strong internal controls should be an integral part of a well-managed program, not an afterthought. Private sector companies are increasingly including "management reports" describing the condition of their accounting and internal control systems in their annual reports to shareholders. Such reports typically affirm management's responsibility for the company's financial statement and comment on the adequacy of the company's internal accounting controls. A recent survey by the accounting firm of Ernst & Winney of the top Fortune 1,000 companies revealed that management acknowledged its responsibility for the company's financial statements in 100 percent of the reports and in 41 percent of the reports there was some assurance given that the company's system of internal controls was adequate. The Federal Government itself has required private sector corporations to establish effective internal control systems. For example, the Foreign Corrupt Practices Act requires the chief executive officers of corporations to verify that their corporations maintain effective internal control systems. In short, the private sector is moving to improve its accounting and financial control systems and the Government itself has required private sector companies to clean up their act. We can ask no less of the Government.

I believe the Financial Managers' Integrity Act can help improve the management of Government programs and prevent the unnecessary loss of taxpayer dollars. I urge my colleagues to support its enactment.

Mr. SASSER. Mr. President, the Financial Integrity Act, S. 864, will, if enacted, improve the way in which the Government watches its money. The key is strengthened accounting procedures: The first line of defense against fraud, waste, and abuse in government programs.

Passage of S. 864 will give "teeth" to the Accounting and Auditing Act of 1950, the law that has required Federal agencies to follow accepted accounting and administrative practices for more than 30 years.

Unfortunately, the Federal agencies just have not taken this law seriously. Only 64 percent of all Federal agency accounting systems have been approved by the Comptroller General as the Accounting and Auditing Act requires. Both the Department of Defense and the Department of Health and Human Services operate with accounting systems that have not been approved by the Comptroller General. Yet the budgets of these two departments represent a large proportion of the total Federal budget.

How will the Financial Integrity Act help the situation? Well, for one thing passage of S. 864 means that the head of each Federal agency will be held accountable for his agency's internal control system. The individual heading up the agency will have to report to the Congress and the public on the efficiency and financial integrity of the agency's programs. In other words, we can fix the blame, if necessary. Or, on the other hand, give a well-deserved pat on the back.

Further, the Financial Integrity Act clarifies the separate but complimentary roles of the Office of Management and Budget, the General Accounting Office, and the Federal agencies in establishing and maintaining effective internal accounting and administrative controls.

I am proud to cosponsor this legislation. It continues a battle against mismanagement in the Federal Government that I have waged ever since I became a U.S. Senator.

Establishing stringent and effective internal accounting controls in the Federal agencies goes hand-in-hand with work I have already done in the Senate to reduce fraud, waste, and abuse in the Federal Government. Two bills with this objective that I shaped in the last Congress are now pending action on the floor in the 97th Congress. One, S. 1249, would increase the efficiency of governmentwide efforts to collect delinquent debts owed to the United States. Studies show that some \$34 billion such bad debts now remain uncollected by the Federal Government. Another bill, S. 807, has a title that sets forth procedures to improve the use of audit resources in monitoring the Federal grant system.

In 1979, I established the General Accounting Office "hotline" to which over 32,000 cases of mismanagement within the Federal agencies have been reported since 1979.

The provisions of S. 864 complement these efforts of mine.

Why are internal control systems in such a state of disrepair? Well, it is because top management in the Federal agencies gives the greatest priority to the delivery of funds and services. Safeguarding public assets has been at the bottom of the list of priorities.

The Financial Integrity Act, S. 864, if enacted, will lead to greater priority and more effective controls over the

tasks and functions that lead to the delivery of the funds and services.

Along the way, the Senators sponsoring this bill hope that money can be saved in the Federal budget. For example, a recent GAO report identifies \$14.3 billion in unresolved audit findings representing potential recoveries, rebates, revenues, or savings for the Federal Government.

Mr. President I urge passage of this important bill.

Mr. EAGLETON. Mr. President, Senate passage of legislation like S. 864, followed by its enactment into law, has been a goal of mine for the past few years. This legislation seeks to strengthen the internal accounting and administrative controls maintained by Federal agencies, which former Comptroller General Elmer Staats once called the first line of defense against fraud, waste and program abuse. In recent years, there has been no shortage of speeches on the issue of fraud and waste in Government, but the significant steps which realistically promise to improve the situation occur with far less frequency. This legislation should operate as a significant deterrent to fraud and waste in Government by improving the Federal agencies manage their programs and resources. It is impossible to predict savings with any precision, and no one benefits from claims that cannot be documented, but I am convinced that substantial savings will result in future years as the process required by S. 864 makes a major change in the way Federal agencies conduct business.

Beginning with the GSA scandal, which surfaced in 1978, the public has been continually bombarded by reports of staggering levels of fraud, waste and abuse in Federal programs. In one memorable revelation, the Inspector General at Health, Education, and Welfare estimated that between \$6.3 billion and \$7.4 billion was mis-spent annually at his department as a result of fraud, abuse and waste—at a minimum. An official of the General Accounting Office knowledgeable in this area estimated that same year that fraud in Federal programs could range anywhere from \$12 to \$25 billion annually.

This level of fraud, program abuse, and just plain waste in Federal programs is unacceptable. We cannot permit the squandering of billions of dollars at this time of skyrocketing deficits and budgetary austerity. This misuse of Federal funds robs resources which might otherwise be available to meet legitimate, ever pressing, human needs. It promotes understandable public cynicism about all Federal programs, eroding support for these activities.

There is no miracle, overnight cure to these problems. A government as large as ours will never be perfectly administered, and there is a morally bankrupt, but widely held, notion that

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stealing from the Government is somehow "less bad" than stealing from an individual.

But at the same time, billions of dollars lost to fraud, waste, and program abuse does not just happen. Those billions are lost because of distinct, identifiable failings in performance by the Federal Government, and I believe that we have an obligation to understand and identify those failings and to devise workable solutions that can improve the situation.

We followed this pattern in 1978 when we enacted the Inspector General legislation. The Governmental Affairs Committee and its House counterpart had discovered that the audit and investigative units of the Federal agencies were woefully understaffed and lacked the necessary visibility and independence in the agencies. The IG legislation responded directly to those problems by centralizing audit and investigative authority in one high-level political appointee with the clout and independence needed to conduct audits and investigative operations and to enhance the economy and efficiency of the agencies. Most observers regard the Inspector General legislation as the most significant step taken by the Federal Government to combat fraud, waste, and program abuse.

The effort to strengthen internal controls reflected in S. 864 is a logical followup to the Inspector General legislation. Since 1976, GAO has issued a series of reports showing that inadequate internal controls are the No. 1 problem facing Federal agencies. An August 1980, report summarized the findings of GAO's reviews of 11 agencies' fiscal offices and found "widespread, similar and prevalent financial control weaknesses" which caused GAO to believe that "similar problems exist throughout the Government."

Horror stories abound where fraud, waste, and mismanagement can be directly attributed to inadequate internal controls. For example:

At Labor's Employment Training Administration, action had not been taken to record auditor's exceptions to costs charged against grants. In May 1978, the agency had from 1,524 audit reports a total of \$218 million in questioned costs that had never been recorded.

A financial clerk in the Department of Transportation embezzled over \$856,000 in Federal mass transit funds. The clerk simply substituted his name on six vouchers instead of the names of the mass transit agencies supposedly receiving the money. His supervisor did not properly preaudit vouchers, but simply signed them over. The Government never discovered this fraud. It came to light only because of an alert bank teller who questioned the size of the deposits being made in the embezzler's account.

Over \$25 million has been paid out erroneously because of internal controls weaknesses in the supplemental

security income program, according to an August 1979, GAO report.

Hearings before Senator CHILES' subcommittee in 1980, indicated that over the last 10 years, Washington-based Federal agencies had bought \$1.2 billion of new office furniture, even though 373 million dollars worth of new or slightly used furniture was in storage. Agencies had no management systems to determine what furniture they had on hand before buying new items.

Regrettably, these cases where wrongdoing or a problem was detected represent only the tip of the iceberg. GAO has reported a total of 77,000 cases of fraud and other illegal acts alleged against 21 major agencies in the 2½ years ending March 31, 1979. Very few of these cases involved brilliant, criminal minds executing elaborate, fool-proof schemes to defraud the Government and the public. Most of the illegal acts were probably perpetrated with the same subtlety as the clerk who passed himself off as a mass transit system. They occurred because internal controls had broken down, where commonsense, everyday procedures were not followed, presenting people with an open invitation to steal. It in no way excuses those who acted illegally to observe that a well-managed agency would not have given them the opportunity in the first place.

S. 864 would amend the Accounting and Auditing Act of 1950, by requiring ongoing evaluations of the adequacy of systems for internal accounting and administrative control of each executive agency. These evaluations, under guidelines to be established by the Office of Management and Budget, are to be conducted to determine whether the agencies' internal accounting and administrative control systems are in compliance with standards which will be prescribed by the Comptroller General. An annual statement signed by the agency head will state the effectiveness of the agency's internal controls or, if necessary, outline a schedule for strengthening any weaknesses found in those controls.

The Accounting and Auditing Act of 1950 already contains the general requirement that agencies maintain adequate systems of internal administrative and accounting controls. Plainly, however, that admonition has been honored all too often in the breach. S. 864 would, in Comptroller General Bowsher's words, "put teeth" into the requirement that agencies maintain internal controls by mandating an ongoing system of evaluation to insure that internal controls are effective, and by requiring the agency head to sign on the line that the agency's controls are effective, or, if they are not, to identify material weaknesses and set forth a plan and a schedule to remedy those weaknesses.

By holding the agency head accountable, S. 864 attempts to deal with a basic failure in the way Federal agen-

cies have conducted "business as usual" and to change management attitudes up and down the line. As Mr. Staats has said:

The reason internal controls systems are in a state of disrepair is that top management has devoted most of its concern and emphasis to delivering funds and services, and that effective controls over tasks and functions which lead to the delivery of these funds and services have had a low priority. Because of top management's insufficient concern for internal controls, middle management reflects this same indifference.

It is necessary to convince Federal managers that the responsibility to deliver funds and services carries with it the obligation to do so in a financially sound way.

No one disputes the need for strengthening internal accounting and administrative controls in the Federal agencies. However, the Reagan administration has taken the position that the goal should be pursued administratively, rather than through legislation. Testifying for the administration last November, Ed Harper, then Deputy Director of OMB, pointed out that OMB had recently issued Circular A-123 dealing with internal controls, and expressed the fear that the legislation could create confusion in the agencies.

In rejecting OMB's position, our committee found several factors compelling. All the other expert witnesses who have studied the issue—Comptroller General Bowsher, the Association of Government Accountants, the Institute of Internal Auditors and the American Institute of CPAs—expressed the view that legislation was needed. They believed, as I do, that the legislative route was preferable because of its permanence, and because it adds the weight of Congress concern to the cause of strengthening internal controls. There is no doubt in my mind that executive branch indifference to internal controls has reflected, to some extent, Congress indifference, and our preoccupation with delivering services and funds, rather than doing so efficiently. Serious change is more likely to occur if the agencies believe that Congress sincerely means it, as well as OMB.

OMB does have a leadership role to play in this area, and a legitimate concern that the legislation not undercut efforts already undertaken. However, S. 864 recognizes that role by giving OMB the lead in establishing guidelines which the agencies will use to evaluate their internal control systems. Moreover, while GAO, rather than OMB, would prescribe the standards for internal controls, Comptroller General Bowsher has noted that these standards would not be inconsistent with the very general standards included in OMB Circular A-123.

In sum, S. 864 represents a significant step toward sounder financial management in the Federal Government. Obviously, the legislation is not self-executing; its success will require

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a sustained commitment on the part of agency officials, OMB, GAO, and the Congress in its oversight capacity. However, the fact that Congress and the Executive have joined GAO in realizing the importance of the somewhat arcane and technical issue of internal controls bodes well for the future. Our budgetary problems will not disappear anytime soon; nor will the public's anger at revelations of waste and fraud in Federal programs. We owe it to the taxpayers to make sure that our efforts to prevent and detect fraud and waste and to improve the financial management of the Federal Government improve in sophistication and intensity. S. 864 can represent an important part of that improvement.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment (UP No. 1179) was agreed to.

The PRESIDING OFFICER. The bill is open to further amendment. If there be no further amendment to be proposed, the question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed for a third reading and was read the third time.

Mr. STEVENS. Mr. President, I ask unanimous consent that the Governmental Affairs Committee be discharged from further consideration of H.R. 1526, the House companion bill, and I ask for its immediate consideration.

The PRESIDING OFFICER. Without objection, it is so ordered.

The bill will be stated by title.

The assistant legislative clerk read as follows:

A bill (H.R. 1526) to amend the Accounting and Auditing Act of 1950 to require ongoing evaluations and reports on the adequacy of the systems of internal accounting and administrative control of each executive agency, and for other purposes.

The PRESIDING OFFICER. Without objection, the Senate will proceed immediately to the consideration of the bill.

Mr. STEVENS. Mr. President, I move to strike all after the enacting clause of H.R. 1526 and to substitute the text of S. 864 as amended by the Senate.

The PRESIDING OFFICER. Without objection, it is so ordered.

The PRESIDING OFFICER. The question is on the engrossment of the amendment and the third reading of the bill.

The amendment was ordered to be engrossed and the bill to be read a third time.

The bill was read the third time.

The PRESIDING OFFICER. The bill having been read the third time, the question is, Shall it pass?

The bill (H.R. 1526) was passed as follows:

H.R. 1526

SECTION 1. This Act may be cited as the "Federal Managers' Financial Integrity Act of 1982".

SEC. 2. Section 113 of the accounting and Auditing Act of 1950 (31 U.S.C. 66a) is amended by adding at the end thereof the following new subsection:

"(d)(1)(A) To ensure compliance with the requirements of subsection (a)(3) of this section, internal accounting and administrative controls of each executive agency shall be established in accordance with standards prescribed by the Comptroller General, and shall provide reasonable assurances that—

"(i) obligations and costs are in compliance with applicable law;

"(ii) funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and

"(iii) revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets.

"(B) The standards prescribed by the Comptroller General under this paragraph shall include standards to ensure the prompt resolution of all audit findings.

"(2) By December 31, 1982, the Director of the Office of Management and Budget, in consultation with the Comptroller General, shall establish guidelines for the evaluation by agencies of their systems of internal accounting and administrative control to determine such systems' compliance with the requirements of paragraph (1) of this subsection. The Director, in consultation with the Comptroller General, may modify such guidelines from time to time as deemed necessary.

"(3) By December 31, 1983, and by December 31 of each succeeding year, the head of each executive agency shall, on the basis of an evaluation conducted in accordance with guidelines prescribed under paragraph (2) of this subsection, prepare a statement—

"(A) that the agency's systems of internal accounting and administrative control fully comply with the requirements of paragraph (1); or

"(B) that such systems do not fully comply with such requirements.

"(4) In the event that the head of an agency prepares a statement described in paragraph (3)(B), the head of such agency shall include with such statement a report in which any material weaknesses in the agency's systems of internal accounting and administrative control are identified and the plans and schedule for correcting any such weakness are described.

"(5) The statements and reports required by this subsection shall be signed by the head of each executive agency and transmitted to the President and the Congress. Such statements and reports shall also be made available to the public, except that, in the case of any such statement or report containing information which is—

"(A) specifically prohibited from disclosure by any provision of law; or

"(B) specifically required by Executive order to be kept secret in the interest of national defense or the conduct of foreign affairs,

such information shall be deleted prior to the report or statement being made available to the public."

SEC. 3. Section 201 of the Budget and Accounting Act, 1921 (31 U.S.C. 11), is amended by adding at the end thereof the following new subsection:

"(k)(1) The President shall include in the supporting detail accompanying each Budget submitted on or after January 1,

1983, a separate statement, with respect to each department and establishment, of the amounts of appropriations requested by the President for the Office of Inspector General, if any, of each such establishment or department.

"(2) At the request of a committee of the Congress, additional information concerning the amount of appropriations originally requested by any office of Inspector General, shall be submitted to such committee."

SEC. 4. Section 113(b) of the Accounting and Auditing Act of 1950 (31 U.S.C. 66a(b)), is amended by adding at the end thereof the following new sentence: "Each annual statement prepared pursuant to subsection (d) of this section shall include a separate report on whether the agency's accounting system conforms to the principles, standards, and related requirements prescribed by the Comptroller General under section 113 of this Act."

Mr. STEVENS. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. ROBERT C. BYRD. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. STEVENS. Mr. President, I ask unanimous consent that Calendar No. 438, S. 864, be indefinitely postponed.

The PRESIDING OFFICER. Without objection, it is so ordered.

TEST FLIGHT PHASE OF THE SPACE SHUTTLE PROGRAM

Mr. STEVENS. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 724, House Joint Resolution 541.

The PRESIDING OFFICER. The joint resolution will be stated by title.

The assistant legislative clerk read as follows:

A joint resolution (H. J. Res. 541) concerning the successful completion of the test flight phase of the Space Shuttle Program.

The PRESIDING OFFICER. Is there objection to the present consideration of the joint resolution?

There being no objection, the Senate proceeded to consider the joint resolution.

UP AMENDMENT NO. 1180

(Purpose: To congratulate the National Aeronautics and Space Administration and all persons involved in the success of the test flight phase of the Space Shuttle program)

Mr. STEVENS. Mr. President, I send to the desk an amendment on behalf of the Senators from California (Mr. HAYAKAWA and Mr. CRANSTON).

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Alaska (Mr. STEVENS), on behalf of the Senators from California (Mr. CRANSTON and Mr. HAYAKAWA), proposes an unprinted amendment numbered 1180.

Mr. STEVENS. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.